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PAGE 01 CARACA 02408 051447Z
ACTION ARA-01

INFO	LOG-00	ACDA-15	AID-01	AMAD-01	CCO-00	CIAE-00	COME-00
	CTME-00	C-01	DODE-00	EB-01	EXIM-06	E-01	FRB-03
	HA-09	H-01	INRE-00	INR-01	ITC-01	JUSE-00	LAB-04
	L-03	ADS-00	NSAE-00	NSCE-00	OMB-01	OPIC-08	PA-01
	PM-01	PRS-01	P-01	SNP-01	SP-01	SSO-00	SS-01
	STR-20	TRSE-00	T-01	USIE-00	DTC-01	/087W	
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O 051445Z MAR 92 ZFF-4
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC NIACT IMMEDIATE 8819
INFO AMEMBASSY BOGOTA IMMEDIATE
USCINCSO QUARRY HEIGHTS PM IMMEDIATE

C O N F I D E N T I A L CARACAS 02408

E.O. 12356: DECL:OADR
TAGS: PGOV, ECON, MASS, VE
SUBJECT: VENEZUELA AWAITS PEREZ' SPEECH

1. C - ENTIRE TEXT.

2. VENEZUELAN POLITICAL LIFE IS FOCUSSED ON PRESIDENT PEREZ' MAJOR SPEECH, NOW SCHEDULED FOR 11 A.M., MARCH 5, ALTHOUGH A DELAY OF A FEW HOURS IS POSSIBLE. TODAY IS BEING DESCRIBED AS THE POSSIBLE TURNING POINT FOR THE POLITICAL CRISIS. PEREZ RECEIVED THE RECOMMENDATIONS OF
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PAGE 02 CARACA 02408 051447Z
HIS ADVISORY COUNCIL YESTERDAY. THEY REPORTEDLY COVERED FIVE MAJOR AREAS: ANTI-CORRUPTION, CHANGES IN ECONOMIC POLICIES, CONSTITUTIONAL REFORMS, JUDICIAL REFORMS, AND BROADENING THE GOVERNMENT (MEANING, ANOTHER CABINET SHAKE-UP). ONLY PEREZ KNOWS FOR SURE HOW MUCH OF THE COUNCIL'S ADVICE HE WILL TAKE. THE CRUCIAL QUESTION IS WHETHER PEREZ HAS KEPT HIS NERVE, WHILE SO MANY IN THE POLITICAL ELITE HERE HAVE SELF-EVIDENTLY LOST THEIRS.

3. WE REITERATE THAT THE CRISIS HERE HAS NOT BEEN PROVOKED BY "THE PEOPLE": WHILE OPINION POLLS INDICATE

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: OSCAR J OLSON
CLASSIFICATION: UNCLASSIFIED
DATE/CASE ID: 08 AUG 2006 200503206

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THE PRESIDENT'S POPULARITY HAS INDEED FALLEN DRASTICALLY, THE STREETS HAVE BEEN REASONABLY QUIET SINCE THE FEBRUARY 4 COUP ATTEMPT. THE POSSIBILITY THAT VIOLENT STREET DEMONSTRATIONS MAY EVENTUALLY BEGIN IS A CONCERN TO MANY. IN SUCH A SITUATION, MANY FEAR THAT THE ARMY WOULD DECLINE TO REPRESS THE RIOTERS, AND A COUP WOULD RESULT. OVER THE LAST FEW DAYS, WITHOUT WAITING FOR THIS SCENARIO TO DEVELOP, THE POLITICAL CLASSES IN CARACAS HAVE SKIPPED DIRECTLY TO CONFRONTING THE COUP DANGER. COUP RUMORS, NOT POPULAR DISCONTENT, ARE THE FORCE BEHIND THE CRISIS. THE POLITICAL ELITE IS TRYING TO ASSUAGE POPULAR DISCONTENTS AND HEAD OFF A COUP BY TAKING INCREASINGLY FRANTIC REFORM STEPS. IN SOME CIRCLES, SUCH AS AMONG CALDERA SUPPORTERS, THE INTENT IS CLEARLY TO FORCE A COMPLETE REVERSAL OF ECONOMIC POLICIES AND A RETURN TO THE PAST (PRICE CONTROLS AND STATE INTERVENTION), YET ALSO TO CONTINUE PRESSURE FOR PEREZ TO RESIGN.

5. WE DO NOT THINK THAT CAP WILL EVER RESIGN VOLUNTARILY. WE DOUBT THAT HE WILL ABANDON THE
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PAGE 03 CARACA 02408 051447Z
FUNDAMENTALS OF HIS THREE-YEAR ECONOMIC ACHIEVEMENT, EITHER, ALTHOUGH HE MUST MAKE AT LEAST COSMETIC CHANGES TO RESPOND TO THE POLITICAL ATMOSPHERE. SOME LIKELY FEATURES OF THE SPEECH ARE:

-- A COMMITMENT TO BROADEN HIS CABINET, BUT WITH THE ACTUAL NAMES REPORTEDLY DEFERRED FOR A DAY OR TWO.

-- PROBABLY, AN OFFER TO COPEI OF ENTRY INTO THE BROADENED CABINET. (COPEI IS REPORTEDLY NOT EAGER, BUT WILL PROBABLY BE WILLING TO JOIN AS A WAY OF HELPING CALM THE CRISIS.)

-- A FREEZE ON THE PRICE OF GASOLINE, AND SOME EXPANSION OF THE EXISTING "MARKET BASKET" PRICE CONTROLS ON FOOD ITEMS. (A WIDER SYSTEM OF PRICE CONTROLS HAS SUBSTANTIAL SUPPORT IN AD AND MAS, BUT WOULD REPRESENT A TREMENDOUS BACKDOWN FOR THE GOV.)

-- A COMMITMENT TO MAJOR CONSTITUTIONAL REFORMS, INCLUDING THE CREATION OF A SYSTEM FOR CALLING A CONSTITUENT ASSEMBLY (COMMENT: WHICH DOES NOT NECESSARILY MEAN THAT ONE WILL BE CALLED), AND A SYSTEM FOR FUTURE REFERENDA AT POPULAR INITIATIVE.

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-- SOME SORT OF ANTI-CORRUPTION MOVE. ONE POSSIBILITY
WOULD BE A DECISION TO ATTEMPT A MAJOR HOUSE-CLEANING OF
THE SUPREME COURT, AS A PRELIMINARY TO MOVING ON SOME OF
THE TOP CORRUPTION CASES.

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PAGE 04

CARACA 02408 051447Z

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